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31 AUG 1964

MEMORANDUM FOR: Deputy Director (Intelligence)

ATTENTION: [REDACTED]

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SUBJECT: Canadian/European Trade with Cuba

On 7 April 1964 we forwarded to the Director a paper entitled "Current Trends in Canadian and European Trade with Cuba." The Director, apparently, was interested in our findings, particularly the indication that, despite some opinion in the NSC to the contrary, exports to Cuba from the UK and Europe during the first part of 1964 appeared to be on the rise. The Director asked that we prepare a follow-up piece to this paper as soon as we had more definitive information regarding this trend. The attached paper is in response to the Director's request.

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[REDACTED]
Deputy Assistant Director
Research and Reports

Enclosure: Current Trends in Canadian and
Western European Trade with
Cuba (S-1298)

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GROUP 1
Excluded from automatic
downgrading and
declassification

Current Trends in Canadian and Western European Trade with Cuba

The total trade of Canada and Western Europe with Cuba during the first months of 1964 has increased sharply compared to the same period of 1963. The largest increase was registered by exports to Cuba from Canada and Western Europe, but imports also increased.

During 1963, exports to Cuba by Canada and the countries of Western Europe (see Table 1) accounted for about 58 percent of Cuba's total import from the Free World.* Imports by Canada and Western Europe in the same year (see Table 2) accounted for about 65 percent of Cuba's exports to the Free World. While this pattern probably is not changing greatly, the Canadian and West European share of Cuba's total Free World trade may increase slightly during 1964.

On the basis of the available data, imports from Cuba in the first months of 1964 apparently were substantially higher than during the same period of 1963 (see Table 3). The increase probably was due to higher prices paid for Cuban sugar, although prices paid for molasses and other products also may have increased.** The volume of Western European sugar imports from Cuba during the first six months of 1964 declined about 15 percent below the level of the same period of 1963 (see Table 4). On the other hand, the volume of non-sugar imports from Cuba may have increased somewhat compared to the first half of 1963.

Canada has not published its import data for any of the first six months of 1964. However, information on sugar sales and cargo movements indicate that the value of Canadian imports from Cuba probably was somewhat higher than in the first half of 1963.

Exports to Cuba by Canada and Western Europe during the first half of 1964 exceeded the value of their exports to Cuba for the entire year of 1963. Exports to Cuba by these countries

* This excludes from consideration the U.S. exports to Cuba as ransom payments for Bay of Pigs prisoners.

** Prices paid for Cuban sugar during the first six months of 1963 probably were below the average price paid by European countries for all of 1963. This was because sugar imports in early 1963 were contracted for in many cases before the price increases of that year gained much headway. In contrast, sugar imports in the first half of this year were contracted for mostly in late 1963 when prices were still near their peak levels.

in 1963 were valued at about \$58 million. Based on partial data, it is estimated that exports during the first six months of 1964 probably were valued at between \$65 and \$70 million. If this rate continues for the balance of the year, Canadian and Western European exports to Cuba for 1964 will reach \$130 million to \$140 million, an increase over 1963 of 150-170 percent. (See Table 1)

Indicators of the probable export rate for the year as a whole are conflicting. Exports to Cuba were not only high during the first half of 1964 but the evidence indicates a rising trend throughout the period. Thus, the annual rates given in Table 1 probably are lower than they would be if more of the first half data were available. On the basis of this showing, exports to Cuba probably would be higher for the full year than Table 1 indicates. However, there is other evidence which suggests that the rate of export to Cuba leveled off about mid-1964 and will decline in the latter part of the year.

During the first part of July 1964, the National Bank of Cuba suspended temporarily the issuance of new credits for foreign purchases. Shortly thereafter, the Ministry of Foreign Commerce ordered a similar suspension of the signing of new purchase contracts. The suspension evidently has not been complete and some new contracts are being signed.* However, the rate at which Cuba opened new letters of credit and signed new contracts appeared to fall sharply during July and early August. The curtailment of new commitments probably has lasted long enough to cause some reduction in the rate of export to Cuba sometime in the fourth quarter of the year and perhaps sooner. If the restriction of new purchases lasts much longer, the reduction in export rate for the remainder of 1964 may be substantial.

The orders curtailing new import credits and contracts reportedly were prompted by a serious state of confusion and inefficiency in Cuba's foreign purchasing program. Cuban foreign trade officials evidently desired time to put their records in order and to assess the extent of Cuba's current import commitments and their impact on foreign exchange reserves. If the confusion is as serious as some reports indicate, the assessment may require a considerable time to complete.

The high import rate of the first half of 1964 did not strain Cuba's convertible currency reserves since export income was also at a high level during that period. As of mid-June, convertible

* This is particularly true in the case of Spain where new contracts are being signed and letters of credit opened at rates comparable to those of the first half of the year. The fact that trade with Spain is largely on a barter basis may account for the continuation of new business in spite of the restrictions discussed above.

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currency holdings remained at about \$75 million, substantially unchanged from the first of the year.* Subsequently, however, reserves have tended to drift downward. By mid-August, hard currency reserves probably had been reduced to about \$65 million.

* It should be noted that this refers only to convertible currency holdings. If Cuba's holdings of inconvertible clearing balances with Spain and Morocco were taken into account, total holdings of Free World exchange at the beginning of 1964 probably approached \$100 million.

CIA/CRR
Project S-1298
28 August 1964

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Table 1

Exports to Cuba by Canada and
Western Europe, 1958-1964

(in thousands of dollars FOB)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>Annual Rate % 1964</u>
Canada	15,300	16,200	13,500	30,131	10,100	10,112 b/	19,000 b/
Belgium-Luxembourg	25,500	14,500	8,800	4,100	1,340	3,730	2,300
Denmark	600	700	500	860	475	1,535	1,240
France	9,400	14,300	10,700	5,860	1,840	4,325	13,200
Italy	11,000	8,300	5,300	4,030	1,445	905	6,000
Netherlands	6,300	8,200	7,600	20,932	8,090	10,925	27,600
Norway	4,200	2,900	2,400	2,300	2,020	260	90
Portugal	200	100	100	300	negl.	755	negl.
Spain	12,200	7,800	9,900	4,400	1,370	9,155	22,200
Sweden	3,500	2,600	1,100	1,372	1,160	3,690	7,800
Switzerland	6,500	5,000	2,400	1,325	365	390	970
United Kingdom	56,100	42,900	20,700	13,233	7,264	5,801	21,000
West Germany	31,300	29,700	14,300	12,707	5,727	6,350	11,000
Total	<u>151,100</u>	<u>151,600</u>	<u>97,200</u>	<u>91,207</u>	<u>41,220</u>	<u>37,313</u>	<u>132,300</u>

a. In contrast to the import data in Table 3, below, it is possible to express export data as an annual rate since exports generally follow a fairly stable pattern throughout the year with little or no seasonal variation. Imports, on the other hand, fluctuate seasonally. At present, we lack the seasonal indices necessary to convert monthly data to meaningful annual rates.

The annual rates in this table were based on the following periods:

Canada	January-May
Belgium-Luxembourg	January-March
Denmark	January-March

Table 1

Exports to Cuba by Country and
Western Europe, 1959-1964
(Continued)

Italy	January-April
Netherlands	January-April
Norway	January-April
Spain	January-March
Sweden	January-April 1
Switzerland	January-May
United Kingdom	January-May
West Germany	January-May

b. Excludes wheat and flour shipped on USH account and valued at \$6.3 million in 1962 and \$17.0 million during the first 5 months of 1964.

Table 2
**Imports from Cuba by Canada and
 Western Europe, 1959-1963**

	(in thousands of dollars CIF)					
	1959	1960	1961	1962	1963	1964
Canada	19,500	12,400	7,300	4,929	8,610	12,637*
Belgium-Luxembourg	4,700	3,200	5,300	347	1,414	4,800
Denmark	300	500	100	97	112	400
France	7,600	8,440	13,000	1,124	2,307	1,103
Greece	5,900	4,000	3,800	3,434	4,800	554
Italy	2,400	600	500	327	205	37,874
Netherlands	16,500	6,300	11,900	4,257	3,594	17,360
Norway	400	600	1,000	226	359	520
Portugal	300	100	100	4	negl.	negl.
Spain	10,500	7,400	10,300	9,260	8,510	21,700
Sweden	2,400	2,000	3,000	922	4,170	6,394
Switzerland	4,700	1,500	4,300	2,627	3,091	4,913
United Kingdom	49,300	26,900	30,200	14,930	19,932	34,707
West Germany	7,300	12,100	9,400	2,011	5,705	1,928
Total	132,300	89,600	98,600	14,731	27,054	147,710

* POS.

Table 3

Imports from Cuba by Selected Western European Countries during the First Part of 1963 and 1964

(in millions of dollars CIF)

<u>Country</u>	<u>Month Covered</u>	<u>1963</u>	<u>1964</u>
Belgium-Luxembourg	January-March	.2	.1
France	January-May	1.1	1.1
Italy	January-April	.4	5.1
Netherlands	January-April	2.5	3.9
Spain	January-March	3.1	7.2
Sweden	January-April	1.5	5.4
Switzerland	January-May	1.5	4.1
United Kingdom	January-May	5.7	30.4
West Germany	January-May	.3	.2

Table 4

Imports of Sugar from Cuba by Canada and
Western Europe, January-June 1963 and 1964

(in thousands of metric tons)

	January-June 1963	January-June 1964
Canada	14	25
Western Europe	312	265
Total	326	290



25X1

24 August 1964

MEMORANDUM FOR: Deputy Assistant Director, Research and Reports

THROUGH:



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SUBJECT:

Canadian and Western European Trade with Cuba

1. In accordance with your request, find attached an updated version of Current Trends in Canadian and Western European Trade with Cuba, 7 April 1964, originally prepared for the DCI.



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Enclosure:

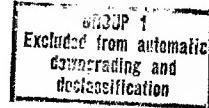
1. Current Trends in Canadian and Western European Trade with Cuba

*Attached retyped, except for tables
and forwarded to DD/I.*

wm/29 Aug 64



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24 August 1964
S-1298

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Exports to Cuba by Canada and Western Europe during the first half of 1964 exceeded the value of their exports to Cuba for the entire year of 1963. Exports to Cuba by these countries in 1963 were valued at about \$58 million. Based on partial data, it is estimated that exports during the first six months of 1964 probably were valued at between \$65 and \$70 million. If this rate continues for the balance of the year, Canadian and Western European exports to Cuba for 1964 will reach \$130 million to \$140 million, an increase over 1963 of 150-170 percent. (See Table 1).

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